

Fighting the Free- Marketeers in Aotearoa/New Zealand.

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Trading With Our Lives: The Human Cost of Free Trade

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1. Introduction

In the late 1970s, Christchurch was home to a secular cult known as Zenith Applied Philosophy (ZAP). They owned the Dog House in the Square where they were able to pay below award wages by calling their workers 'managers'. Next door, they had the Western Destiny Bookshop. From here, they would roam the city streets and approach people trying to sell them copies of books by Ayn Rand and bumper stickers that read 'Lower Taxes Through Less Government'. Their leader was a man called Johnny Ultimate who lived in a palatial residence in Fendalton. It was really fringe wacko stuff.

We used to call them 'born-again capitalists'. But none of us predicted how many of their views would soon be so widely held by those who walk the corridors of power in New Zealand. In fact, those who have foisted free-market policies on the country have much in common with the weirdos from ZAP. They have a dogma that can be applied to every aspect of society and, like all sects, they will not tolerate dissent.

Since 1984, New Zealand's political, economic and social order has been captured by economic extremists. They come in three guises: ideologues from Treasury who used to be known as public servants; the knights of the Business Round Table; and a clutch of politicians who held sway in Labour and, later, National Governments. They are united by a commitment to free-market fundamentalism. For twelve years, they have behaved like mad scientists and treated the rest of us like guinea pigs.

I don't intend to use the few minutes available to me here to detail all the changes we have been through over these years. This has already been done very thoroughly by Jane Kelsey [1995] and has also been recorded on film by Alister Barry, "Someone Else's Country". Given that this is an *international* forum and it is about the *human* cost of free trade, I'd like to

focus first on some of the twisted anti-human logic that underlies this economic dogma and then on the international nature of this issue. After painting what I believe is a very frightening picture, I'll end with what I see as a few signs of hope for building a new society in Aotearoa and the world.

2. Putting People Last

One of the most striking effects of adopting a free-market model is that it generates a big group of unemployed or under-employed people stuck in a poverty trap. In New Zealand this underclass was created as a direct result of two policies. The first was a high unemployment policy which was achieved by corporatising then privatising so many aspects of the state's activity and forcing so many companies to relocate or go bankrupt by removing virtually all protective measures. This was combined with measures like the Employment Contracts Act that drove down wages, especially those of the lowest paid.

It's nothing new to note that high unemployment helps to drive down wages. However, what is new in the twisted logic of the economic extremists is that benefit levels are now set without any regard to standards of living. It used to be possible to argue for benefit increases on the grounds of human need. Now, the only thing that sets them is the minimum wage. If wages are driven down further benefits will fall too (hints are already being made about putting a time limit on the dole) so that the gap between them remains. Where the people-last logic can be seen is that the gap must always be preserved, not by having an adequate benefit and setting a minimum wage above it, but by allowing employers to pay bare subsistence wages and forcing benefits even lower.

So the incomes of the poorest people are cut. At the same time, the incomes of the richest people are increased through tax cuts made

possible because the state is removing itself from a whole range of public services and introducing user charges in others. So the rich get tax cuts and the poor get wage cuts and benefit cuts, and the inequalities widen. In fact, a 1995 report by the Joseph Rowntree Foundation that was published in the *New Statesman* revealed that over the previous fifteen years, the gap between the rich and the poor in New Zealand had increased much faster than in any comparable industrialised country [Nyta, 1995]. New Zealand is becoming the first among unequals.

This parallels developments at a global level as well. Third World countries who have had their wealth plundered by the West during centuries of colonialism now find themselves in a position where it is they who are in debt. As a result of that debt, there is a massive net outflow of wealth from the poor to the rich. Susan George [1994: x-xi] revealed that, from 1982 to 1991, if one subtracts the combined value of aid, investments and new loans from the debt-service payments of debtor countries, this outflow amounted to US\$398 billion. Where does this money come from? Just as in New Zealand, it is the poorest people who are forced to pay - with cuts in wages and working conditions and with cuts in services like health, housing and education.

You might think that growing inequalities in New Zealand was a terrible indictment of the course the country has taken. But no, the people-last approach to development has no problem with inequality because, it is claimed, it gives all people an incentive to work harder. If life is made miserable for the poor, they'll have an incentive to stop being poor (as if it is a lifestyle option to live below the poverty line) and if the rich have it easy, they'll want to get even richer.

Earlier this year, this argument was cranked up even further when the Business Round Table brought another one of their experts out from Britain¹ who seriously questioned what was so great about equality anyway. He argued that the important issue was not the gap between rich

¹ See Tooley, 1996.

and poor but the need to set adequate minimum standards. This is a very dangerous line, and one which I last heard by defenders of Apartheid who argued that Black South Africans had nothing to complain about because they had higher living standards than people in other African states.

3. Choice, Freedom and Democracy

The next themes I'd like to look at are choice, freedom and democracy. These are the slogans that the economic extremists use to justify their policies. When we remove protections, they say, consumers get more choice because cheap products can be imported from anywhere in the world. What this actually represents, however, is a driving down of wage rates on a global level. To retain their jobs in a totally deregulated world, working people in New Zealand will have to accept wages as low as the lowest in the world. This is a very high human cost to pay for the luxury of having a choice of thirty different brands of the same product at the supermarket.

But this we are told is freedom. We are supposed to be grateful to be free to have these choices. We can choose between different education providers, different health providers, different electricity providers, different phone companies even different cell-phone companies each with their own network of towers. Choices abound. Everywhere we turn, where there used to be a service provided, we are now confronted with a choice.

We are told that it is the markets and not the government that have to run everything in society. Since everything is reduced to a product or a service that can be bought or sold, it is natural that the market should determine this process. "You wouldn't let Jenny Shipley buy your clothes", said Roger Douglas, "So why should you let her buy your

education?" This means that we must take an entrepreneurial approach to every aspect of life. People are forced to consider their health or education like personal investments, for example, weighing up their expenditure on university fees or medical insurance in the same way that they would assess a share portfolio or a decision about which bank to get a mortgage from.

However, the one decision we are not allowed to make is whether we want to have all these choices. That decision was made for us. In fact, the entire process that the economic extremists used to seize power was anti-democratic. Democracy is supposed to be government of the people, by the people and for the people. What we have been subjected to in this country over the last twelve years is government of big business, by big business and for big business.

We were teased with a façade of consultation - remember the economic summits, the women's summits, the Curriculum Review, the Royal Commission on Social Policy. Then we were all shut out of having any influence over the development direction that would be pursued. In those crucial years from 1984 to 1993, there was no electoral mandate for the radical restructuring we were subjected to. Time after time, the economic extremists ignored public opinion polls that showed overwhelming opposition to key policies, such as the privatisation of strategic assets.

4. Globalisation

What makes these reforms so difficult to counteract is their international dimension. Deregulation is happening at a global level through such mechanisms as the General Agreement on Tariffs and Trade (GATT). At a regional level, it is happening through forums such as the North American Free Trade Agreement (NAFTA) and this Asia-Pacific Economic Cooperation (APEC) grouping that is meeting in Christchurch next week.

At a national level, it is usually achieved by the major lending institutions like the World Bank and the International Monetary Fund (IMF) refusing to extend loans or even reschedule existing debt until the country has implemented 'structural adjustment policies' (SAPs), restructuring package virtually identical to the changes introduced in New Zealand since 1984..

One report on the impact of SAPs on Africa describes the process as the 'recolonisation' of the continent:

'Under structural adjustment (the IMF and the World Bank) do not merely supervise individual sectors of the economy as in the past... They now manage each country entirely. They have to approve annual national budgets, foreign exchange budgets, post their representatives to the Central Bank, Ministries of Finance and Trade of independent countries, approve monetary, trade and fiscal policies and give clearance certificates before countries can negotiate with other foreign lending agencies. This is the recolonisation of Africa' [Cited in ECE], 1990: 12].

The drive towards free trade - globally, regionally and nationally - is invariably used by the free-marketeers as the starting point for any discussion about development strategies. This, we are told, is reality. Whether we like it or not, any and everything we do must be guided by this reality. We either get with it or we get left behind.

This is how we end up with policies that leave a totally open door to foreign investment. Murray Horton who's on in the next session will, I'm sure, shock you by exposing just how wide New Zealand has opened that door. And if you think he is exaggerating then hear it from the horse's mouth. In the editorial of the July 1995 issue of the Asia 2000 newsletter, Andrew Meehan, the head of Brierleys and the Japan New Zealand Business Council and former head of the Foreign Direct Investment Advisory Group, wrote:

'I do not accept the argument that we should impose conditions on foreign investment. These are entirely unnecessary, and we forget, at our peril, that capital is a scarce resource - it will quickly redirect itself to opportunities where there exist lesser restrictions.'

And the scary thing about this is that he is absolutely right. From 1989 to 1995, the proportion of shares on the New Zealand Stock Exchange that are overseas owned increased from 19 per cent to 54 per cent, and in the years from 1984 to 1995, our foreign debt rose from \$16 billion to \$67 billion [CAFCA, 1995: 58]. What this means is that our economy is so exposed to the whims of the global market place that any attempt to alter course, or even a hint that this might happen (like the rise of the Alliance and then New Zealand First in the polls), brings the risk of capital flight and dramatic economic collapse. The markets would punish us, and punish us severely for any deviation. And as Third World countries have discovered and we are beginning to find out, this means losing not just in economic terms but in political terms as well. Ultimately this means losing the power to decide what development strategy the country should pursue and being condemned to stay with the people-last approach that has been forced upon us.

It is a very bleak picture. We have been forced down a one-way alley to a place where the rules of the jungle apply; where the rich and powerful are free, encouraged even, to exploit the poor and the weak. And as long as we continue to play by the rules that have been devised by and for big business interests, there is no way out. However, that does not mean that we should give up and I don't think we are. I'd like to end with a couple of recent signs of hope and some suggestions for ways forward.

5. Signs of Hope and a Way Forward

One of the ways they wear us down is by making us feel overwhelmed by the onslaught and resigned to the inevitability of it all. The choice, as Andrew Meehan puts it, is to embrace globalisation and prosper or resist it and perish. In a similar vein, Roger Douglas [1993] argues that people will naturally resist the restructuring at first, but that after they've been done over they will become allies in the assault on other sectors. Counting on people's lowest instincts prevailing, he argues that they'll take the view that if it's been done to us, it should also be done to others.

Given these arguments, we should draw hope from the fact that there is still widespread anger about what is being done to us and a refusal to accept it. By Douglas's reckoning, the firefighters should have found it impossible to muster any support for their campaign to retain adequate staffing levels. But the opposite happened; they got the requisite signatures in no time and bolted in in last year's referendum. Sure, firefighters are a popular bunch, but I don't think the referendum was about them. It was about the firefighters and the people saying 'no' to the economic extremists who took over this country, and refusing to accept 'reality' as defined by the free-marketeters. Similarly, we can rejoice at people tuning out of Radio Liberty and ignoring ACT despite major publicity. And, whatever one's views of Labour as a party, it is encouraging that they see electoral advantage in apologising for Rogernomics.

So the first thing is to not give up. We must refuse to accept reality, as the mad scientists define it for us. This may sound negative - like it's not taking us anywhere. But it's actually quite hard to maintain. As the drive towards global deregulation carries on relentlessly and more and more countries fall into line, one can easily succumb to a sense of the inevitability of it all. So, not giving up is an achievement in itself.

Ultimately, though, we need to do two things: we must oppose the dominant people-last approach to development; and we must construct

genuine alternatives. We cannot do either of these things without the other. It is impossible to mount and maintain an effective opposition to the free-marketeers unless we also have a clear alternative that people can clearly understand, be committed to and work for. And at present, both here and overseas, we are a long way from having such an alternative to offer. Similarly, we cannot build effective alternatives without also fighting the system that currently dominates our lives. Simply 'dropping out' is not the solution because, although it might be possible for some people in some countries, it is simply not an option for most of the world's people.

In order to carry out this work, we need to be able to operate as effectively as the free-marketeers do at a national and international level. At a national level, we have two challenges to meet. The first is to develop effective working relationships between Maori and Tauwiwi. Unless we can get our act together on that vital issue, we are never going to get anywhere, either in fighting the system or creating a new, just and sustainable Aotearoa. This means that, at the very least, everyone working in this area should be committed to supporting tino rangatiratanga as guaranteed in the Treaty of Waitangi.

The second challenge is to prevent the free-marketeers from driving a wedge between us through inequalities in income. The policy of tax cuts for the rich and benefit cuts for the poor was designed to do just that. We must beware of this and develop ways of working that counteract it.

International work is also vital. The international arena is being used by the free-marketeering politicians and business people to divide and weaken us. We must use it to support each other and gain strength. There are many ways that we can learn from each other: by studying other countries' experiences to anticipate what might be coming next in our own context; by sharing and adapting effective strategies of resistance and ideas for alternatives; and by organising international campaigns.

This forum is an excellent way in which some of these aims can be fulfilled and Corso is proud to be associated with it. I hope we can all make the most of this opportunity to advance our efforts for a more just world.

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